

M e m o r a n d u m

To: Panel Members

Date: June 22, 2007

From: Dolores Kendrick, Manager

Analyst: M. Paccereilli

Subject: One-Step Agreement for **NEW TANGRAM, LLC**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce Moving To A High Performance Workplace
- Type of Industry: Manufacturing - Custom Office Furnishings
- Repeat Contractor: No
- Contractor's Full-Time Employees
 - *Worldwide:* 275
 - *In California:* 272
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$501,552
- Substantial Contribution: \$0
- Total ETP Funding: \$501,552
- Total In-kind Contribution: \$649,501
 - *Trainee Wages Paid During Training:* \$649,501
 - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Los Angeles and Orange

INTRODUCTION:

New Tangram, LLC (Tangram) is a manufacturer of custom office furnishings. The company qualifies for standard ETP funding as a manufacturing company facing out-of-state competition under Title 22, California Code of Regulations (CCR), Section 4416 Section 4416(d)(1)(2).

Tangram is requesting the Panel's assistance to retrain 258 employees in job specific skills, which will help the company sustain revenue growth and maintain profit margins in this competitive industry.

MEETING ETP GOALS AND OBJECTIVES:

Tangram proposes training that will further the following ETP goals and objectives:

- 1) Promote the retention of manufacturing jobs in California.
- 2) Foster job retention in industries threatened by out-of-state competition.
- 3) Develop frontline workers with skills that prepare them for a high performance Workplace.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Retrainee Job Number 1	MENU: Business Skills; Computer Skills; Manufacturing Skills; Advanced Technology; Continuous Improvement	258	24 - 200	0	\$1,944	*\$13.51 – \$60.44
Wages After 90-Day Retention						
<u>Occupation</u> Designers Information Technology Staff Sales Representative Production Worker Customer Service Representative Administrative Staff Supervisor						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> *Health Benefits of at least \$2.29 per hour may be added to the trainee's wages to meet the ETP minimum hourly rate of \$13.51 per hour for Los Angeles and Orange Counties.					<u>Turnover Rate</u> 8%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 7%
<u>Other Employee Benefits:</u> 401K; Life Insurance; Long Term Disability; Employee Discount; Tuition Reimbursement; Paid holidays, vacation, bereavement, and sick leave.						

COMMENTS / ISSUES:

➤ **Frontline Workers**

All participants in this project meet the Panel definition of frontline workers under Title 22 CCR, Section 4400(ee), except for 18 supervisors, which represents seven percent of the trainee population.

COMMENTS / ISSUES: (continued)

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

➤ ***Advanced Technology (AT)***

Tangram requests the higher reimbursement rate for the AT courses to deliver training in advanced technical processes and software applications identified in the curriculum. Designers and information technology staff will receive up to 25 hours of AT training. These trainees are highly skilled employees using sophisticated equipment and software.

According to company representatives, AT courses will be taught by external vendors and is estimated to cost over \$33 per trainee hour. The maximum ratio of 10 students per instructor would create the best learning environment for this training.

RECOMMENDATION:

Staff recommends that the Panel approve this proposal based on Tangram's stated need to upgrade the skills of its workforce in order to implement the new company initiative. In making this recommendation, staff notes that Tangram is a manufacturing company, which is among the Panel's targeted industries. The proposed training will enable the company to adapt to a high performance workplace and foster retention of manufacturing jobs in California.

NARRATIVE:

The company started in 1999 as Tangram Interiors when two companies merged: Pacific Business Interiors and California Business Interiors. In 2002, Tangram was formed when the company was purchased by Joseph Lozowski and Jack Hooven. Among its client base are Corinthian Colleges in Arizona, Capital Group Companies in Virginia, and Cigna Insurance in Arizona.

Tangram manufactures, assembles, and installs custom office furnishings. The company differentiates itself from its competition by being a "one-stop" provider for physical work environment as it also provides asset management, move management, and customized furniture design. It has showrooms that give customers a true sense of how today's office environment can look. Tangram understands the importance of technology and continuously makes investments to remain "state-of-the-art" and competitive in today's business environment.

The company invests approximately \$250,000 per year in technology with the intent to increase productivity and efficiency as well as attract new employees and retain current employees. Specifically in hardware and software, the company uses the latest Dell desktops and laptops with the latest Microsoft Office software and utilize AutoCAD, 3D Studio VIZ, SolidWorks, which are all high-end, expensive technical tools. This year, the company doubled its expenditure by implementing new systems: Cisco Voice over Internet Protocol (VoIP), Faxing over Internet

NARRATIVE: (continued)

Protocol (FoIP) along with Unified messaging, Meet Me Conferencing System, Meeting Place Collaboration System, and Virtual Private Network (VPN). Tangram invested \$334,000 for these systems, which does not include the cost of training. All of these expenditures were intended to provide the necessary tools to allow the company to compete with companies located outside California where costs are lower, and to attract and retain the most competent workforce.

According to company representatives, it has been apparent that the cost of housing in Southern California has reached unprecedented heights lessening its ability to recruit and retain highly-skilled workers. The traffic has gotten worse, driving time has increased, and gas is expensive making it more difficult to find qualified workers in close proximity to its facilities. Since Tangram cannot control the cost of housing or driving, the company is using technology to recruit and retain highly-skilled workers in California. As an example, many of its sales representatives can now work from their homes using VPN and Meeting Place collaboration (sharing their desktop). Technical staff, such as designers, can use Meet Me instant voice conferencing and Meeting Place collaboration to share and discuss their designs online in real time simultaneously with clients and architects. Customer service representatives can work at home with VoIP used with VPN, which makes it appear that the person is in the office and can be reached with four digit dialing.

Tangram is requesting ETP assistance to provide training in the use of these new systems and keep up with the latest technology. In addition, company representatives state that employees are not utilizing the software programs to their full potential or maximum advantage. As customer needs and demands change and additional services are requested, employees are required to increase their computer expertise to provide better customer service. **Advanced technology** training will cover highly technical software such as 3D Studio, AutoCAD, and SolidWorks. Other computer systems and software will be covered under **computer skills** training.

The company also proposes to train workers in manufacturing, business, and continuous improvement skills necessary to keep its employees a step ahead of its worldwide competition. Production workers and supervisors will be trained in **manufacturing skills**, which will focus on the day-to-day operations of its facilities. It will also include manufacturing best practices and technical skills which will help trainees become more versatile within the manufacturing areas resulting in quality products delivered at the lowest possible cost. Trainees will also learn preventive and predictive maintenance techniques to reduce production downtime, thereby increasing production worker efficiency.

Training in **business skills** will provide all trainees with the necessary tools to produce and manage successful custom office furnishing projects; provide efficient customer service to clients; and successfully bid on projects. This training will enhance consistency and project quality for its increasingly demanding national and international customers; and focus on developing new clients and preserve lasting client relationships.

All trainees will also receive **continuous improvement** training, which will introduce greater worker participation in process improvement and company-wide use of lean enterprise theories to help maximize profitability. The goals are to improve service to customers with better quality products, and to work efficiently with minimal time, less material, and lower costs.

NARRATIVE: (continued)

Commitment to Training

Tangram representatives state that ETP funding will not displace its own resources for training. The company reports that it has a limited budget of \$50,000 per year for on-the-job training, mandatory and essential training, such as general orientation, Cal-OSHA training, and sexual harassment prevention. Tangram does not have a formal training program and past training has been unstructured, using mentors. As a result of minimal training, company employees are deficient in the essential knowledge and skills necessary to take the company to the next level.

Once the ETP program has concluded, Tangram is committed to continue the quality and frequency of employee training and development activities. The company understands that training and development commitment to employees is its ultimate responsibility to keep them on the edge of technology. With participation in the ETP program, the company will reinforce its commitment to training and educate employees for the duration of the program and after the program has been completed.

SUBCONTRACTORS:

To be determined prior to the start of training.

THIRD PARTY SERVICES:

Barry Menzel, Seal Beach, assisted in developing this proposal for a flat fee of \$19,500.

NEW TANGRAM, LLC

MENU CURRICULUM

Class Lab Hours
24 - 200

Trainees will receive any of the following:

MANUFACTURING SKILLS

Manufacturing Practices
Equipment Operations & Maintenance

COMPUTER SKILLS

Meet Me Conferencing System
Meeting Place Collaboration System
Virtual Private Network (VPN)
Microsoft Office (Intermediate & Advanced)
Microsoft Project
Adobe

ADVANCED TECHNOLOGY

3D Studio
AutoCAD
SolidWorks

BUSINESS SKILLS

Good Business Practices
Project Management
Communication Skills
Customer Service
Consultative Negotiating and Sales

CONTINUOUS IMPROVEMENT

Process Improvement
Lean Enterprise
Teambuilding
Frontline Leadership
Problem Solving and Decision Making
Effective Meetings
Performance Management
Time Management
Coaching Techniques